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CENTRAL INTELLIGENCE AGENCY

Review of the World Situation as it Relates to the Security of the United States

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S E C R E T

REVIEW OF THE WORLD SITUATION AS IT RELATES TO
THE SECURITY OF THE UNITED STATES

14 November 1947

GENERAL

1. *Political.* Since our previous report (CIA 1, 26 September 1947) the most significant development has been the deterioration of the Communist (Soviet) political position in Western Europe. This process, which apparently began with the announcement of the "Truman Doctrine," has been accelerated by Soviet countermeasures, particularly by the establishment of the Cominform. The decision to establish that agency itself reflected an apprehensive realization that the European recovery program was about to become an effective reality and a corresponding recognition that the Communist political program in Western Europe had already failed. The Cominform, with its clear identification of Communist parties as agents of the Kremlin, its proscription of the non-Communist Left, and its threat to the best hope of European recovery, sacrificed whatever political prospects the Communist parties yet had. The general popular reaction is reflected in recent elections in Rome, France, Denmark, and Norway, all of which were decidedly anti-Communist in their implications.

Accepting political isolation as an advantage, the Communists have now abandoned the "democratic front" and "socialist unity" techniques and have adopted a "purer" concept of their mission as the only worthy representatives and leaders of the "masses." In the countries of Eastern Europe, which they control, the result has been an acceleration of the evolution from the "democratic" coalition toward an absolute Communistic totalitarianism. In Western Europe, where they are not in power, the application is a reversion toward action by a hard core of militants to create a "revolutionary situation."

The propaganda barrage against U.S. "reaction," "imperialism," and "warmongering" which has accompanied this shift in Soviet strategy has been of such volume and virulence as greatly to heighten the general political tension and increase apprehension that the conflict between the United States and the U.S.S.R. may soon lead to war. It is still probable, however, that the U.S.S.R. does not intend its provocations to produce that result, but only to intimidate those, in Europe and Asia, who could not escape involvement in such a catastrophe.

2. *Economic.* The world economic situation has not changed materially. Acute shortages continue in many commodities such as wheat, coal, fertilizers, agricultural and mining machinery, and transportation equipment. The foreign exchange hold-

S E C R E T

1

S E C R E T

Communist control of the Confederation of Labor (CGT). The Thorez declaration of French Communist policy has accelerated defections from the Party, presumably to the Socialists, and from the CGT to independent unions, and has created dissension within both the Party and the CGT.

De Gaulle would defer his own accession to power until the spring, avoiding responsibility for the privations which the French must endure this winter and relying on such hardships further to discredit the Socialist-led administration. The Socialists, meanwhile, are striving to rally the center against both Communism and Gaullism. De Gaulle's success depends upon a continuing sense of crisis, a continuing fear of Communism and lack of confidence in the administration. If, during the winter, U.S. interim aid is adequate to alleviate distress, and if, by spring, the Communist danger has receded and there is fair prospect of an effective recovery program the conditions upon which De Gaulle depends would not exist and he would have lost his *raison d'être*. Thus the center coalition under Socialist leadership may yet ride out the storm. In any case, the danger of a Communist accession to power in France appears to have been eliminated, although the Communists retain the capability of precipitating a civil war in France, particularly in opposition to accession to power by De Gaulle.

5. *Italy.* The recent municipal election in Rome also marks a resurgence of anti-Communist forces. Although the Italian Communists publicly adhere to the Cominform, they have avoided a forthright declaration of policy, like that of Thorez in France, which would lead to their political isolation. They and the Christian Democrats remain the stable factors in an otherwise fluid situation. It is now apparent that the only hope of uniting the non-Communist Left depends upon the Socialist Party's adoption of an independent policy. The rank and file of the Party desires such a development, but Nenni retains control of the Party organization and for the time being maintains his alliance with Communism. On the Right, the Uomo Qualunque has collapsed and the question is what will become of its popular following. While some tend to align themselves with the Christian Democrats, many are adhering to the several new, definitely neo-Fascist movements which are rapidly gaining strength but are so far disunited. In general, the trend favors the De Gasperi Government, which, if it can survive the winter with credit, will probably receive strong popular support at the polls in the spring.

Another favorable sign in Italy is a decline in wholesale prices resulting primarily from credit restrictions which compelled speculators to release their hoardings. This trend cannot be maintained unless substantial future imports are assured through U.S. aid, but it provides a temporary easement and should enhance the reputation of the government.

6. *Germany.* Preliminary consultations indicate that in the forthcoming session of the C.F.M., as at Moscow, the U.S.S.R. will advocate the immediate establishment of

S E C R E T

S E C R E T

a highly centralized German national government. Such a government would permit the U.S.S.R. to have a voice in the administration of such vital areas of Western Germany as the Ruhr. Meanwhile there is speculation as to what course the U.S.S.R. will pursue if the C.F.M. fails to reach agreement. It is at least possible that, as with respect to Korea, the U.S.S.R. would propose mutual withdrawal from Germany in order to break the impasse and permit the Germans to solve the problem themselves. The rejection of such a proposal would not diminish its propaganda effect in Germany, where sentiment for national unity is traditionally strong. The status quo prevailing, the U.S.S.R. would almost certainly set up an over-all German government for the Soviet Zone, being careful to represent it as the nucleus of a future national government rather than the beginning of a Soviet republic, in order to keep in character as the sole champion of German national unity and independence. A reform of the political parties in the Soviet Zone is also in prospect, including the submergence of the troublesome Christian Democrats in an over-all bourgeois "unity" party on the analogy of the S.E.D. The general trend in Europe being as it is, and the S.E.D. having proved unsatisfactory as a device for extending Communist control, there will be less emphasis on "socialist unity" (i.e., the advancement of Communism) and more on a wise nationalism (i.e., Russo-German collaboration in the Bismarckian tradition). Von Paulus, Seydlitz, and others of the "Free German Committee" will probably be brought out to dignify and facilitate this new appeal to German nationalism.

7. *Austria.* The U.S.S.R. will block any treaty with Austria which does not enable it to reduce that country to the status of a Satellite. Without appreciable popular sympathy in Austria, it has already succeeded in gaining considerable control over the Austrian economy. The stability of the present anti-Communist government of Austria depends directly upon assurances of U.S. moral and material support.

8. *The Satellite States.* In Eastern Europe the satellite governments are proceeding apace to destroy not only the opposition parties but also those which have collaborated with the Communists in the several national fronts. An evolution toward Communist totalitarianism in the Satellite States was to have been anticipated, but the pace appears to have been accelerated sharply in almost panicky consideration of the persistence of popular disaffection in Eastern Europe and the political trend in the West. This process has been substantially completed except in Hungary, where it is nearing completion, and in Czechoslovakia, where the non-Communist parties are still capable of resistance. For various reasons, both political and economic, the Communists must proceed more slowly and adroitly in Czechoslovakia, but even there they can, with Soviet support, establish their complete domination of the country whenever, in the judgment of the Kremlin, overriding considerations require it.

S E C R E T

4

S E C R E T

THE NEAR AND MIDDLE EAST

9. *Greece.* The Communist-led guerrillas, with Soviet superior direction and increased Satellite material support, are stronger and more aggressive than ever. Satellite aid to the guerrillas is likely to increase further, and thus strengthened they may be able to control securely sufficient territory to permit the establishment of a Communist civil regime in northern Greece. Pacification of the country is prerequisite to its rehabilitation and is now urgently necessary to avert a political and military disaster.

10. *Palestine.* Support of partition by both the U.S. and the U.S.S.R. has neither settled the problem of Palestine in the United Nations nor improved the tense situation in the Near East. Despite U.S.-U.S.S.R. agreement, it is still very possible that no specific plan for partition will receive the necessary two-thirds majority in the Assembly.

The compromise proposal accepted by the U.S. and the U.S.S.R. on the procedure to be followed in implementing partition does not prejudice the basic aims of the U.S.S.R. in supporting partition. These aims are: (1) to secure early withdrawal of the British from Palestine; (2) to participate in the establishment of the Jewish and Arab states; and (3) to create a situation sure to provoke conflict in Palestine and great unrest throughout the Arab world. The U.S.S.R. will take advantage of these conditions to increase its influence in the area. Communist agents are already entering Palestine as illegal Jewish immigrants. In the turmoil resulting from partition they could organize in the Arab states "democratic" movements such as those now active in Greece and Iran.

In the Near East Arab determination to resist partition, by force of arms if necessary, has not weakened, but the danger that the Arabs might turn to the U.S.S.R. for support in the event of such a conflict has been dispelled. The Arabs now condemn the U.S.S.R., as well as the United States, as pro-Zionist; moreover, they regard with apprehension the possibility of a Soviet lodgment in Palestine. The United Kingdom, meanwhile, has gained prestige by its unequivocal decision to withdraw from Palestine. A formal cancellation of British and U.S. oil concessions is now regarded as unlikely, but in the event of conflict in Palestine the popular excitement in the Arab world would be such that the safety of personnel and installations could not be guaranteed against private acts of violence. In sum, an enforced partition of Palestine would still gravely endanger order and stability in the strategically important Arab world.

11. *Iran.* Having rejected the proposed Soviet oil concession, Iran claims equal consideration with Greece and Turkey in the allotment of U.S. aid. The outward Soviet reaction has been deceptively mild. It may be presumed that the U.S.S.R., while refraining from open retaliation, will pursue relentlessly subversive operations designed to exploit the backwardness and disunity of Iran and to bring that country eventually under Soviet control. For the time being, however, Iran does not appear to be a primary Soviet target.

S E C R E T

S E C R E T

12. *India.* Exacerbated by the conflict in Kashmir, the already strained relations between India and Pakistan have degenerated into a contest in vituperation. Greater statesmanship than is now in evidence will be required to solve the formidable problems confronting the two new dominions. Whatever the merits and outcome of that conflict, its prolongation involves danger of both direct hostilities between India and Pakistan and a resumption of communal massacres in both dominions. So far, however, the U.S.S.R. appears not to have taken an interest in the quasi-anarchy prevailing in the former Empire.

THE FAR EAST

13. *China.* The Chinese Communists retain the strategic initiative. Their sixth offensive in Manchuria, although it failed to dislodge the Nationalists, did accomplish a heavy attrition of Nationalist strength. Meanwhile the Communists have penetrated into Central China between the Lung-hai Railway and the Yangtze River, where defensive strength had been greatly reduced in order to support Nationalist operations in Shantung and Manchuria. The probable expansion of Communist control in this area will tend to isolate Nationalist forces attempting to hold the line of the Lung-hai Railway, as those north of the Yellow River have been isolated. This strategy of pocketing the 39 effective divisions of the National Army and subjecting them to attrition has already reduced their number by one-third and nullified their advances. With nearly all its effective forces committed in the North, the National Government has few with which to oppose further Communist penetration southward.

Continuing at the present rate, deterioration in the National Government's military, political, and economic position would probably lead, within a year, to decisive Communist military successes and to actual disintegration of the Government. The extension of limited amounts of U.S. aid to China would be unlikely to reverse the trend, but would slow it appreciably.

The U.S.S.R. is unlikely to assume a more active role in Chinese affairs unless U.S. support of the National Government threatens to reverse the current trend.

14. *Korea.* The Soviet attitude toward a United Nations solution of the Korean problem renders impossible the unification of that country under a truly representative government. Moreover, the U.S.S.R. cannot be expected to recognize the representative character of any regime established in South Korea under United Nations auspices. The U.S.S.R. will make every effort to discredit such a regime as a device of Yankee imperialism and an obstacle to Korean democracy, unity, and independence.

The immediate Soviet objective is to compel the United States to withdraw from Korea and further Soviet action with that specific purpose must be anticipated. It may well be that the U.S.S.R., acting on its own proposal, will itself withdraw from North Korea, relying upon its puppet regime and the North Korean Peoples Army to continue

S E C R E T

S E C R E T

to represent its interests. Korean sentiment regarding unity and independence is such that, in the event of a Soviet withdrawal, the South Koreans themselves would subject the United States to such pressure to withdraw also as might render the position politically untenable. A U.S. withdrawal would be followed by unification, and eventually, of course, by Soviet domination of the entire country through Korean Communist penetration and control.

15. *Southeast Asia.* Continuing conflict and instability in Southeast Asia affect the interests of the United States in both Europe and the Far East. The human and material resources of the area are of importance both to European recovery and to the support of a strategic position in Japan or China. Already in Indonesia and Indo-China the native population tends to regard Dutch and French efforts to reestablish their control as having been made with U.S. support. To the extent that the European recovery program enhances Dutch and French capabilities in Southeast Asia, native resentment toward the United States will increase. This tendency will be exploited and intensified by Communist propaganda on the theme of U.S. "imperialism."

LATIN AMERICA

16. Brazil has broken relations with the U.S.S.R., and Chile with the U.S.S.R., Yugoslavia, and Czechoslovakia. Otherwise there has been no significant change in the situation. The Chilean coal strike was clearly not intended by the Communists to be a decisive trial of strength, as represented by the Chilean Government. Its outcome is therefore not a valid measure of the Communists' capabilities for disrupting essential industries in an all out effort.

S E C R E T

7

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